

Message Text

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ACTION EUR-12

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PASS OPIC

E.O. 11652: N/A
TAGS: ECIN YO
SUBJ: STATUS DRESSER INDUSTRIES JOINT VENTURE

REF: BELGRADE 0707

BEGIN SUMMARY: JOINT VENTURE TO PRODUCE MAGNESIUM SILICATE
FROM SEA WATER LIKELY TO BE SIGNED AND REGISTERED WITHIN 30
DAYS. POLISH PARTICIPATION IN J/V NO LONGER BEING CONSIDERED
END SUMMARY.

1. W.R. MORRIS, PRESIDENT, HARBISON-WALKER REFRACTORIES
INTERNATIONAL DEIVISION OF DRESSER INDUSTRIES AND JOHN D.
WALTON, GENERAL CONSUL, HARBISON-WALKER, PAYED FEB 24 CALL
ON COMMERCIAL ATTACHE AND BRIEFED HIM ON STATUS JOINT VENTURE.
OFFICIALS HAD JUST CONCLUDED DISCUSSIONS WITH MAGNOHROM AND
SERBIAN REPUBLIC OFFICIALS ON PROJECT AND MADE FOLLOWING
INTERESTING COMMENTS.

2. DUE TO CONTINUING FINANCIAL PROBLEMS POLES WILL PROBABLY
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NOT, REPEAT NOT, PARTICIPATE IN PROJECT. H-W OFFICIALS
EMPHASIZED, HOWEVER, THAT JOINT VENTURE IS JUST AS VALID WITHOUT
POLISH PARTICIPATION.

3. H-W WILL ONLY HAVE ABOUT 10 PERCENT EQUITY PARTICIPATION
IN JOINT VENTURE AND THIS WILL CONSIST OF MACHINERY AND TECH-
NOLOGY. TOTAL EQUITY OF JOINT VENTURE COULD REACH DOLLARS 80

MILLION. A CANADIAN ENGINEERING COMPANY IS NOW DOING DESIGN WORK FOR THE PROJECT.

4. 45-50 PERCENT OF MAGNESIUM SILICATE PRODUCED WILL BE CONSUMED IN YUGOSLAVIA. MAGNOHROM INTEREST IN PROJECT STEMS FROM FACT THAT MAGNOHROM NATURAL MAGNESIUM SILICATE DEPOSITS ARE BEING DEPLETED AND NEW SOURCE OF SUPPLY IS NEEDED. ADDITIONAL 45 PERCENT OF PRODUCTION WILL BE EXPORTED TO EASTERN BLOC COUNTRIES. 5-10 PERCENT WILL GO TO WESTERN EUROPE. H-W WILL HANDLE SALE OF MAGNESIUM SILICATE IN WESTERN EUROPE THROUGH ITS MARKETING CHANNELS. POLAND WILL STILL RECEIVE LARGE QUANTITY OF PRODUCTION AND WILL PAY IN HARD CURRENCY. POLISH PAYMENT AGREEMENT PLUS SMALL AMOUNT EXPORTED TO WESTERN EUROPE WILL PROVIDE FOREIGN EXCHANGE REVENUE NECESSARY TO ENSURE H-W WILL BE ABLE TO REMIT PROFITS.

5. H-W OFFICIALS CLAIM ALL OPIC APPLICATION PROCEDURES COMPLETED AND THAT NO, REPEAT NO, QUESTION THAT OPIC COVERAGE WILL BE PROVIDED. ACTION REQUESTED: PLEASE ADVISE EMBASSY AND H-W IF THIS IS NOT THE CASE.

6. DURING JUST COMPLETED DISCUSSIONS H-W AND MAGNOHROM AGREED TO SOME CHANGES IN JOINT VENTURE AGREEMENT THEY HAD EARLIER SIGNED. THESE CHANGES STEM FROM POLES DROPPING OUT OF PROJECT AND GOOD POSSIBILITY NEW YUGOSLAV JOINT VENTURE LAW COULD COME INTO EFFECT BEFORE YUGOSLAV GOVERNMENT FORMALLY APPROVES AND LIMITED OFFICIAL USE

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REGISTERS THE JOINT VENTURE. NEW JOINT VENTURE AGREEMENT INCORPORATES PROVISIONS ON DISTRIBUTION OF PROFITS AND RESTITUTION OF EQUITY WHICH H-W OFFICIALS BELIEVE WOULD ALLOW AGREEMENT TO QUALIFY EVEN UNDER, WHAT H-W OFFICIAL EXPECT WILL BE, TOUGHER NEW JOINT VENTURE LAW. OFFICIALS ADDED THAT GENERAL MANAGER OF MAGNOHROM HAD ALREADY INITIALED CHANGES FOR MAGNOHROM AND THAT THEY WOULD NOW BE SEEKING APPROVAL OF AGREEMENT FROM DRESSER BOARD OF DIRECTORS. IF EXPECTED APPROVAL OCCURS AGREEMENT WILL THEN BE SUBMITTED FOR YUGOSLAV REGISTRATION. H-W OFFICIALS CLAIMED SERBIAN REPUBLIC MINISTER FOR FINANCE HAS INDICATED PROJECT HAS HIS FULL SUPPORT. H-W OFFICIALS ANTICIPATE HAVING REGISTRATION COMPLETED IN NEXT 20-30 DAYS, HOPEFULLY BEFORE ANY NEW JOINT VENTURE LEGISLATION IS APPROVED BY YUGOSLAV FEDERAL ASSEMBLY. WORTZEL

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